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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
June 1990

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CONSUMERS REMAIN DISENGAGED FROM ECONOMY

In March, the weakness in retail sales was explained as faulty seasonal adjustments caused by the shifting Easter holiday. In April, declining retail sales were explained as a payback after strong retail activity during the mild winter, when sales rose an annualized 11.4%. In May, weak retail sales were blamed on damp, cold weather. No excuses come to mind for June, which must show a rebound in retail activity or we must conclude that consumers have taken a holiday. Certainly, reductions in consumer confidence suggest that concern about the economy is growing in the households. Moreover, the surge in savings during the first six months suggests that consumers have raised their desired savings activity. Unless strength surfaces in export activity or capital spending, such rising savings desires will lead to reduced economic growth.

The outlook for capital spending has weakened in recent months. The anticipations survey during the winter showed capital spending gains of 7.9% after inflation. The spring survey pared that to a gain of only 5.5%. Reduced optimism about sales along with tight credit conditions appear to be responsible for the reduced spending plans. The largest reduction from initial plans occurred in the service sector, where small businesses may be facing difficult obstacles in financing their spending programs because of increased regulatory surveillance of bank loans. Because of more stringent collateral requirements for loans, small businesses have not been able to meet the tougher bank standards. (Who said you could borrow on future earnings potential? Certainly not the Controller of the Currency).

Thus, the ability to withstand the shift in consumer sentiment without facing a serious slowing rests upon the trade sector. Some import substitution is beginning to take place, as more Japanese transplants are built in the United States. According to current production plans, by 1992, the Honda will be the most American built car in this country. It already is more American than most Chrysler products. Some other electronic components may be made more intensively in this country than in the past. Obviously, this import substitution will aid the trade balances and increase domestic employment even if domestic consumption does not grow. However, the impact of this change remains small.

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The outlook for exports looks a little more promising, although the April trade figures did not show further gains. After falling an annualized 16% during the first quarter, the dollar has declined slightly further during the spring, with most of the weakness developing against European currencies. At the same time, unit labor costs in manufacturing before currency translation continue to drop. They fell 1.3% during the winter, even as overall unit labor costs soared because of a 2.7% drop in private productivity. Once again, too many retail stores accounts for much of the problem in reduced productivity. Anyway, the manufacturing goods, which move more heavily in international markets remain competitive. This should allow further increases in our trade balances during the next year. Because of this continued growth of trade opportunities, a recession is not anticipated at this time.

In fact, inventory rebuilding by the auto industry during the summer months to strengthen their bargaining position against the UAW will ensure adequate industrial growth into the fall. Of course, such inventory gains will merely increase the likelihood of soft industrial activity during the fall. If consumer spending remains anemic at that time, a recession could develop early next year. Our PROJECTIONS do not show a recession, but the magnitude of weakness that will develop following the summer could easily trip the economy into a recession if economic policies become too restrained.

Economic policies currently are very restrictive. As inflation has slowed following the winter price surge, the Federal Reserve's targeted federal funds rate has led to substantial slowing in money growth. In May, all the money measures actually declined from the previous month. This weakness was blamed on shifting seasonals caused by tax refunds from the Treasury, but the contributions to the monetary base from Treasury deposit flows have not changed materially. Therefore, the weakness probably is the result of a change in the demand for money because of sluggish economic activity.

The Federal Reserve may not believe its current policy is restrictive because short-term interest rates have not increased and because the monetary base continues to grow vigorously. However, the latter gains are the result of surprisingly large gains in currency demand. Initially, currency demand soared because of the increase in prices for gasoline and fruits and vegetables following the winter freeze. However, currency continued to grow strongly after those prices were reversed. Although no satisfactory explanations have been advanced for this surprising result, some analysts have speculated that more dollars are flowing to Eastern Europe and that current stringency in money laundering has forced the drug traffic to increase their currency holdings. Some surprisingly large currency holdings have been recovered in recent drug arrests, but this could mean greater efficiency in apprehending rather than increased currency usage. In any event, some slowing in currency demand has been observed in recent weeks. If this trend continues, a slowing in the monetary base should convince the Federal Reserve that their current policies are restrictive.

Of course, federal budget deficits are soaring. After averaging $149 billion in 1989, the federal deficit on the national income accounts basis rose to $171 billion during the first quarter of 1990. Some of this increase is caused by higher interest payments and more grants-in-aid to state and local governments for unemployment and welfare purposes. However, a portion of the deficit is caused by rising subsidies to the insurance activities of the government, as depositors are made whole at failed thrifts.

Considerable debate about the economic impact of these borrowings to support thrift depositors has developed. Certainly, the assets created and misappropriated by the thrifts already have impacted interest rates and productive capability. By inefficiently utilizing capital, interest rates are higher than they otherwise would have been and the cost of capital is higher in this country than would have prevailed without such poor use of capital. However, the conversion of ownership from the private to the public sector has no further impact upon interest rates. In effect, private savings are being supported by government borrowings. Only the administrative activity associated with the thrift depositors' bailout constitutes further burdens to the system, and this impact should be small.

(However, if financial asset markets are partially segmented, the increased supply of government bonds could require higher interest rates to attract the foreign investors who never would have been attracted to the private sectors' securities. To that extent, government interest rates could increase relative to other interest rates because of the conversion from private to public ownership of thrift assets.)

There is one adjustment that remains to be accomplished. By supporting depositors, private wealth is not impaired by the failure of thrifts, at least not beyond to equity and some bond holders. But the market value of thrift assets clearly is lower. Therefore, total wealth must be lower. This adjustment to a reduced value of wealth will come either through higher taxes or increased tax liabilities to pay off the indebtedness spawned by the thrift asset devaluations. This reduced wealth will slow economic activity, probably through reduced consumption and investment spending. (Of course, some economists maintain that consumers already are responding to this increased tax burden.) Thus, the increased borrowings by the government to support the thrift depositors should not be viewed as a budgetary stimulus. Indeed, the devaluation of thrift assets should be viewed as an economic restraint. Raising taxes to reduce the deficit will merely institutionalize the restraint that the reduced wealth suffered from the devaluation of thrift assets already is beginning to generate. Therefore, these increased deficits should not be viewed as economic stimulus.

In short, policy may move toward undue restraint leading to an economic downturn because the impact of policy will be misread. Currently, a recession still is expected to be avoided because the Federal Reserve is expected to reduce its restraint. However, some return to inflation fighting resolve following the congressional elections may again raise the specter of recession by the end of 1991. Policy errors are among the major causes of recession, and some errors may be developing at the present time.

Monthly Statistical Highlights

	JUNE 1990	JULY 1990	AUGUST 199
Payroll Employment	+105,000	+102,000	+64,000
Index of Hours Worked	+0.0%	+0.2%	+0.0%
Household Employment	-23,000	+62,000	+13,000
Civilian Unemployment Rate	5.4%	5.4%	5.5%
Personal Income	+0.5%	+0.5%	+0.4%
Savings Rate	5.9%	6.0%	5.8%
Personal Consumption	+0.7%	+0.4%	+0.6%
Retail Sales	+0.6%	+0.2%	+0.7%
Auto Sales	9.6*	9.6*	10.2*
Housing Starts	-1.7%	+1.3%	+1.7%
Housing Permits	+1.5%	+2.4%	+2.5%
Construction Expenditures	+0.2%	-0.3%	+0.3%
Business Inventories	+0.2%	+0.3%	+0.3%
Orders for Durable Goods	-0.3%	+0.5%	+1.3%
Orders - Nondefense Capital Goods	+3.2%	+0.8%	+2.0%
Industrial Production	+0.3%	+0.3%	+0.3%
CPI	+0.3%	+0.2%	+0.2%
PPI	+0.3%	+0.2%	+0.0%
Consumption Deflator	+0.3%	+0.3%	+0.1%
Leading Indicators	+0.1%	+0.1%	+0.2%
Currency Index	+0.3%	-0.1%	-1.1%
Equity Index	+2.3%	+2.4%	-0.6%
Real GNP (annual rate)	+0.9%	+3.5%	+4.0%
M1 (annual rate)	+3.9%	+6.3%	+6.5%
M2 (annual rate)	+1.7%	+4.9%	+6.5%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Except for a 234,000 increase in civilian employment, the May employment report continued the weakness of previous months. April's activity was revised downward, as well. The Census now has reached peak levels of employment and will be subtracting from payroll employment in subsequent months. The manufacturing situation was mixed, as production workers declined, but the workweek expanded from 40.7 hours to 41.1 hours. This was more than a snap-back from an Easter week survey and suggests that employment may be rising in manufacturing during the next few months. Strength was especially significant in automobile and steel production. Hourly earnings continued to rebound strongly, but some of that increase clearly is the result of composition changes caused by higher paychecks in the auto and steel industries. Therefore, the acceleration from 2.5% during the first quarter to 4.7% estimated for the spring should not be construed as a rebound in wage inflation. In fact, we are projecting a moderate slowing in the growth of hourly earnings during the next twelve months.

The surge in civilian employment caused the unemployment rate to fall. However, moderation in employment growth should lead to a slight increase in unemployment rates during the next few months. Last year's sluggishness in employment and labor force growth remains a mystery, especially as payroll employment continued to expand rapidly. Perhaps, moonlighting is spreading, but that does not appear to be the most likely explanation. Finally, the surge in hours worked during the winter clearly reflected greater anticipated gains in production than materialized. Thus, the first quarter productivity slump should be followed by significant productivity gains later this year. Thus, the sluggishness in hours worked should not be related to weakness in production at this time.

PERSONAL INCOME AND OUTLAYS-Farm subsidies continued to fall in May, and they may decline further during the summer. As a result, personal income will be growing much more slowly than in the winter. Also impacting income growth is a slower rate of growth in wages and salaries as payroll growth slows sharply. In May, the distributive industries showed declines in wages while the service sector showed substantial slowing in wage gains. Some rebound should be anticipated in these areas in June, but the sluggish economy certainly will restrain income gains.

More significantly, the sluggish retail sales are beginning to show up in consumption performance. Of course, the cold weather restrained utility purchases in May, leading to lower gains in services than normal. A rebound should be expected there in June. Also, a slight gain in auto sales is projected for June. As a result, some gains in consumer spending should develop. Even so, consumption will hardly contribute to economic activity during the spring. Assuming falling prices for gasoline, higher purchasing power should generate some consumer gains in the summer. Also, some auto incentives should stimulate auto sales, although incentives may be delayed until progress is made with the auto wage negotiations. Therefore, the rebound in consumption during the summer remains open to considerable uncertainty.

Clearly, the slump in consumption is not income based, as savings rates have increased sharply during the winter and spring. The anticipated drop in savings during the summer is based upon incentive induced auto sales, which may be delayed. In general, the consumer appears to have shifted savings upward, which increases the likelihood that a policy error could lead to a downturn.

CONSTRUCTION-All the payback for the mild winter has occurred and construction still remains weak. Credit restraints clearly are restricting development. Builders are not getting funding to start new homes. Of course, the inventory of unsold homes, at 8.1 months, suggests that few new homes should be built. The greater decline in housing permits than housing starts during the spring suggests that further weakness could be anticipated in the housing market. However, if mortgage rates begin falling, as we expect, some improvement in housing activity could be anticipated. Even so, the rebound should not be substantial until supply becomes less overabundant.

The weakness in housing starts has not yet surfaced in residential expenditures, but it will. Of course, the sharp drop in public construction reflects a return to normal following unusual construction after the earthquake and hurricane. Strength in nonresidential activity has been concentrated in industrial activity, but even that sector should ease in the months ahead. Construction should remain weak into next year.

BUSINESS ACTIVITY-Although manufacturing inventories rebounded slightly in April, much of those increases were in goods in process. They probably were shipped in May. Business inventories are again being accumulated after first quarter liquidations, but the gains are small. More significant gains are expected in the summer months as the auto industry adds to its inventories. This modest gain in inventories apparently has generated more industrial activity than expected. Perhaps, some of these goods are going abroad. Certainly, only defense shipments show any significant gains for the quarter. Shipments of nondefense capital goods are weak, along with orders. However, some rebound in orders should develop during the summer as industry responds to strong activity in transportation equipment.

The May spurt in industrial activity was primarily the result of higher auto production, where activity rose from 6.1 million units to 7.5 million. Increases to more than 8 million are likely for short periods of time during the summer, but activity then should moderate. Utility production was down in May and should soar in June. This will place modest pressures on capacity utilization, but will not create inflation spawning bottlenecks.

PRICES-The slowing in consumer prices is on target as oil prices are falling sharply early in the summer. Prices may fall even more than expected for industrial commodities, because some of the non-OPEC producers have decided to end their policy of production restraint. If so, inflationary pressures could be less than currently projected during the summer. A rebound in prices is expected in the fall, but oil prices should remain below previous year levels. The auto incentives should remain strong during the summer but should not become more intense. Thus, prices of consumer durables will begin rising again following unanticipated declines in the spring. Prices of consumer nondurables have been slow to fall because gasoline prices have remained high. However, the gap between gasoline and oil is so large that price declines are likely. One concern is the possible introduction of excise taxes, which would have a one-time price effect when they develop, probably early next year. The slowing in consumer service prices is caused by reduced price pressures for housing and utilities, which are not completely offset by stronger medical and educational prices.

The rebound in construction prices is caused by supply problems associated with the spotted owl controversy. Despite this area of higher inflationary pressures, total inflation appears to be moderating slightly.

MISCELLANEOUS-Despite all the signs of weakness in April, the narrowing of the trade deficit that month suggests that real GNP grew slightly. Further gains are expected in May and June. As these gains are on top of an upward revision for first quarter activity, it now appears to real GNP will increase 1.8% during the second quarter. Much of this gain is in inventories, as the dollar value of inventory holdings are accelerating even as the inventory valuation is falling. Further inventory accumulations along with some gains in consumption should result in a strong summer before weakness reappears in the fall. The continued positive growth is based upon some easing in Federal Reserve policy. Without easing, a decline in economic activity is possible before next summer.

The leading indicators were stronger than expected, and clearly suggests some strengthening in the economy. Most of the weakness is concentrated in building materials while strength is widespread. The extended workweek overstated the strength during May, but some gains certainly should be expected.

When inventories pick up, the trade balances should deteriorate during the summer, but further gains are expected in the trade balances next year. The drop in both exports and imports during April is a statistical artifact and does not mean that export opportunities are exhausted.

If interest rates fall this summer, some weakness should develop in the dollar's value. However, further gains in the trade account and modest gains in profitability should attract enough capital to prevent any serious decline in the dollar.

FINANCIAL MARKETS

Clearly, the household sector has shifted savings desires. This normally leads to falling interest rates, but rates have not declined because of the shift in government borrowings. As explained above, the growing government deficit should not have a substantial impact upon interest rates because it reflects the public ownership of thrift assets rather than any increased use of resources in the economy. Only to the extent that this public ownership is viewed as preserving private wealth does this deficit have any effect upon the economy. Some economists would argue that even that is unlikely, as the potential tax liability to preserve that private wealth should offset the wealth. In that case, interest rates could actually fall as government deficits are rising. I do not believe that is the current case, but little upward pressure on interest rates should result from additional borrowings to support thrift depositors.

On the other hand, the corporate sector is increasing its borrowing needs as inventories shift from liquidation to accumulation and as capital spending continues to grow. Corporate earnings simply are not strong enough to provide the cash flow for these increased expenditures.

Thus, the household sector is trying to lower interest rates through increased savings and reduced housing purchases, but the government sector offsets this with increased borrowings. The corporate sector also is increasing its borrowings, causing the need for increased capital flows from abroad. Because foreigners have found alternatives in Eastern Europe, higher interest rates are needed to attract those foreign savings. Thus, interest rates have been drifting upward slightly.

During the summer, households may temporarily abandon their savings buildup while the corporate sector will continue to accumulate inventories. Government deficits should remain near current levels. This would suggest little change in interest rates. However, the Federal Reserve probably will lower its federal funds target. This would mean some reduction in short-term rates. Reduced inflation also may reduce the inflation premium demanded by investors for long term bonds. Therefore, interest rates are expected to fall slightly this summer.

Later this year the household sector should again rebuild savings while the corporate sector will be easing their investment programs. If the government sector can restrain deficit growth, as expected, some further reductions in interest rates are possible. Early next year, if a recession is avoided, interest rates should rise modestly. On balance, however, interest rates are expected to drift downward during the next twelve months.

EQUITY MARKETS-According to our formula, the summer rally is not over. Another 5% gain in equity values should be achieved by September. Weakness in corporate profitability, some increase in interest rates, and some weakness in the dollar should then cause a modest decline in stock prices during the fall. If monetary policy does not become more expansive, a more serious decline is likely. For that reason, bonds probably present more value than equities over the next twelve months. Nevertheless, a 5% gain during the next three months may be too much to leave on the table. Regional financial issues, some technology issues, and international companies again should provide most of the benefits. The oil service sector should stall, as oil prices fall, but may present value during the fall. Greater caution then is expected in equity investments after September, as a modest correction is expected.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
January 1990	109931		129.5		117863		5.3	9.83	
February	110304	3.1	130.2	3.0	118035	1.0	5.3	9.88	2.5
March	110427		130.3		118334		5.2	9.92	
April	110404		130.0		118116		5.4	9.95	
May	110568	1.2	130.0	0.0	118350	0.6	5.3	9.99	4.7
June	110673 *		130.0 *		118327 *		5.4 *	10.03 *	
July	110775		130.2		118389		5.4	10.06	
August	110839	1.2	130.2	0.7	118402	0.6	5.5	10.09	4.2
September	110993		130.3		118577		5.5	10.13	
October	111105		130.4		118708		5.5	10.16	
November	111284	1.5	130.6	1.1	118877	1.4	5.4	10.20	4.3
December	111426		130.8		119034		5.4	10.24	
January 1991	111543		130.9		119158		5.4	10.27	
February	111704	1.6	131.0	1.3	119307	1.5	5.5	10.31	4.2
March	111882		131.2		119487		5.5	10.34	
April	111994		131.3		119589		5.6	10.38	
May	112126	1.6	131.5	1.4	119714	1.4	5.6	10.41	4.2
June	112303		131.7		119907		5.6	10.45	
Chng June(91)/June(90)		1.5		1.3		1.3			4.2
Chng June(90)/June(89)		1.9		1.5		0.7			4.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	4.604		2.725		212.9		3.936		3.723	
February	4.638	9.5	2.748	6.9	229.8	31.8	3.965	10.1	3.735	9.0
March	4.675		2.764		251.7		3.998		3.747	
April	4.687		2.780		239.1		4.005		3.765	
May	4.701	5.7	2.791	6.9	247.6	19.2	4.013	5.1	3.766	4.2
June	4.723 *		2.804 *		238.9 *		4.030 *		3.791 *	
July	4.746		2.818		241.4		4.049		3.808	
August	4.766	5.6	2.828	5.5	235.2	-3.8	4.065	5.1	3.830	5.8
September	4.791		2.842		242.0		4.086		3.844	
October	4.814		2.855		244.0		4.105		3.861	
November	4.842	6.3	2.872	6.2	246.5	11.1	4.129	6.2	3.883	5.9
December	4.867		2.890		247.3		4.150		3.903	
January 1991	4.889		2.902		250.9		4.173		3.922	
February	4.916	6.3	2.918	6.4	252.6	11.8	4.195	6.6	3.942	6.3
March	4.940		2.932		255.2		4.216		3.961	
April	4.967		2.948		258.3		4.239		3.981	
May	4.992	6.5	2.962	6.5	258.9	11.4	4.259	6.4	4.000	6.1
June	5.021		2.980		262.3		4.283		4.021	
Chng June(91)/June(90)		6.3		6.3		9.8		6.3		6.1
Chng June(90)/June(89)		6.9		6.9		9.3		6.7		6.5

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	3618.0		504.6		1156.2		1957.1		2706.3	
February	3629.2	9.2	484.8	18.5	1176.0	9.4	1968.5	6.9	2706.8	2.4
March	3640.9		480.2		1172.5		1988.1		2699.7	
April	3659.8		488.8		1168.3		2002.8		2709.5	
May	3659.8	4.4	476.1	-6.1	1167.8	0.3	2015.9	9.6	2700.6	0.4
June	3685.2 *		481.9 *		1171.0 *		2032.3 *		2711.6 *	
July	3701.5		482.3		1173.6		2045.6		2716.2	
August	3723.5	5.9	489.3	3.4	1176.4	2.6	2057.8	8.4	2726.9	2.5
September	3737.4		487.3		1179.8		2070.4		2729.6	
October	3754.2		486.6		1184.0		2083.6		2731.1	
November	3775.5	6.0	490.9	3.2	1188.5	4.1	2096.2	7.7	2737.1	1.9
December	3795.5		492.8		1192.8		2109.8		2742.1	
January 1991	3814.7		495.7		1196.7		2122.3		2746.1	
February	3834.8	6.4	497.5	5.9	1201.4	4.3	2135.9	7.7	2751.5	2.0
March	3853.0		498.4		1205.2		2149.4		2753.5	
April	3872.6		501.1		1209.5		2162.0		2758.0	
May	3891.7	6.2	501.0	3.6	1214.4	4.5	2176.3	7.7	2760.8	1.6
June	3912.0		502.7		1219.5		2189.8		2765.9	
Chng June(91)/June(90)		6.2		4.3		4.1		7.7		2.0
Chng June(90)/June(89)		6.7		2.7		4.1		9.2		2.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	149.87		22.94		10.2		93.66		33.27	
February	149.91	11.4	23.63	16.0	9.5	54.3	94.87	8.9	31.41	15.0
March	149.30		23.18		9.5		94.64		31.48	
April	147.94		22.79		9.5		94.18		30.97	
May	146.84	-5.7	22.39	-11.6	9.3	-10.5	93.67	-1.9	30.78	-12.1
June	147.75 *		22.46 *		9.6 *		93.93 *		31.36 *	
July	148.00		22.43		9.6		94.14		31.43	
August	149.01	3.2	22.48	-2.1	10.2	22.9	94.36	1.9	32.17	11.4
September	149.05		22.37		10.1		94.63		32.05	
October	149.32		22.39		9.3		93.97		31.96	
November	150.15	3.8	22.45	0.2	9.5	-18.6	95.33	4.1	32.37	5.3
December	150.72		22.48		9.6		95.68		32.56	
January 1991	151.35		22.62		9.7		95.99		32.74	
February	151.93	4.9	22.53	2.5	9.9	16.4	96.37	4.3	33.03	8.3
March	152.33		22.59		9.9		96.67		33.07	
April	152.98		22.68		10.0		97.02		33.28	
May	153.36	4.2	22.61	1.7	10.0	7.0	97.41	4.5	33.34	4.9
June	153.96		22.73		10.0		97.82		33.41	
Chng June(91)/June(90)		4.2		1.2		4.2		4.1		6.5
Chng June(90)/June(89)		2.3		4.2		-2.0		3.6		0.1

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AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	1.568		1.099		0.469		1.739	
February	1.488	35.6	1.154	44.4	0.334	13.6	1.297	12.7
March	1.307		0.996		0.311		1.232	
April	1.224		0.905		0.319		1.108	
May	1.207	-52.7	0.896	-52.8	0.311	-52.5	1.057	-66.9
June	1.187 *		0.892 *		0.295 *		1.073 *	
July	1.202		0.904		0.298		1.099	
August	1.223	3.8	0.917	6.5	0.306	-3.8	1.126	14.3
September	1.227		0.915		0.312		1.123	
October	1.238		0.923		0.315		1.127	
November	1.246	9.3	0.933	7.5	0.313	14.7	1.135	7.4
December	1.250		0.930		0.320		1.146	
January 1991	1.259		0.935		0.324		1.154	
February	1.267	6.2	0.939	4.1	0.328	12.8	1.166	9.7
March	1.265		0.940		0.325		1.168	
April	1.255		0.934		0.321		1.142	
May	1.269	0.5	0.943	0.4	0.326	0.8	1.152	-3.1
June	1.272		0.940		0.332		1.167	
Chng June(91)/June(90)		7.2		5.4		12.5		8.8
Chng June(90)/June(89)		-16.1		-8.1		-33.4		-18.9

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	137.5		90.8		196.7		425.0		353.6	
February	143.6	13.2	95.5	18.3	199.3	21.4	438.4	18.1	362.9	17.4
March	141.5		90.8		203.3		435.6		361.2	
April	142.1		87.6		202.7		432.4		357.1	
May	141.6 *	3.3	88.0 *	-17.5	200.4 *	2.6	430.0 *	-1.7	354.2 *	-4.5
June	142.3		88.5		200.1		430.9		354.1	
July	141.7		88.2		199.7		429.6		352.7	
August	141.8	-1.1	89.6	4.6	199.3	-3.0	430.7	-0.9	353.0	-2.9
September	141.3		89.3		199.6		430.2		351.8	
October	142.0		89.7		199.8		431.5		352.0	
November	142.4	2.3	90.3	5.3	200.5	1.7	433.2	2.7	352.2	-0.5
December	142.8		90.6		200.9		434.3		351.9	
January 1991	143.2		91.1		201.2		435.5		351.8	
February	142.9	2.4	90.7	3.6	201.0	1.5	434.6	2.2	350.2	-1.3
March	143.6		91.2		201.3		436.1		350.6	
April	143.9		91.4		202.5		437.8		350.8	
May	144.4	3.1	91.6	3.0	202.9	3.4	438.9	3.2	350.8	-0.2
June	144.7		92.0		203.1		439.8		350.4	
Chng June(91)/June(90)		1.7		4.0		1.5		2.1		-1.0
Chng June(90)/June(89)		5.6		6.0		3.0		4.5		2.6

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	374.1		117.91		38.35		35.19	
February	373.2	1.2	120.78	-17.7	36.09	-12.5	36.83	20.5
March	371.7		128.87		40.89		36.15	
April	372.3		123.40		36.58		35.30	
May	372.7 *	-0.2	128.19	13.5	36.08	-17.6	35.20	-6.5
June	373.5		127.78 *		37.23 *		35.86 *	
July	374.6		128.43		37.51		35.98	
August	376.0	3.4	130.16	9.5	38.26	15.7	36.54	11.1
September	377.2		129.53		38.21		36.67	
October	378.5		127.86		37.88		36.27	
November	379.9	4.3	129.09	-1.0	38.29	3.3	36.42	1.8
December	381.2		130.15		38.73		36.98	
January 1991	382.5		130.87		39.06		37.24	
February	383.9	4.3	131.18	5.9	39.40	10.0	37.52	9.5
March	385.2		130.65		39.21		37.43	
April	386.7		130.54		39.54		37.95	
May	388.4	4.8	131.09	-0.8	39.73	4.0	38.13	7.1
June	390.0		130.25		39.55		38.05	
Chng June(91)/June(90)		4.4		1.9		6.2		6.1
Chng June(90)/June(89)		1.9		2.1		4.9		3.2

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	797.2		8.49		107.5		82.7	
February	794.0	-0.5	8.16	-19.7	108.5	0.9	83.2	-2.7
March	793.7		8.82		109.0		83.4	
April	794.5		8.82		109.0		83.3	
May	796.6 *	0.8	9.08	21.7	109.7	4.6	83.6	2.1
June	798.3		8.85 *		110.0 *		83.7 *	
July	800.9		8.81		110.3		83.8	
August	803.4	3.7	8.72	-2.7	110.6	3.6	83.9	1.6
September	806.8		9.04		110.7		83.9	
October	809.6		8.43		110.7		83.7	
November	812.5	4.4	8.67	-4.7	110.8	1.0	83.6	-1.3
December	815.3		9.15		110.9		83.5	
January 1991	818.6		8.68		111.1		83.5	
February	821.3	4.5	8.53	-5.5	111.3	1.6	83.5	-0.8
March	824.4		8.67		111.3		83.3	
April	827.1		8.65		111.2		83.0	
May	830.3	4.4	8.49	-1.8	111.0	-0.7	82.6	-3.8
June	833.6		8.62		110.9		82.3	
Chng June(91)/June(90)		4.4		-2.6		0.8		-1.7
Chng June(90)/June(89)		2.2		-4.1		1.5		-1.0

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	127.7		117.6		114.2		129.1	
February	128.4	8.5	117.3	8.2	113.6	5.1	129.4	5.4
March	129.0		117.0		113.2		130.1	
April	129.3		116.6		113.1		130.3	
May	129.6	4.0	117.0	-1.0	113.7	-0.2	130.8	3.9
June	130.0 *		117.4 *		114.0 *		131.1	
July	130.2		117.6		114.3		131.5	
August	130.5	2.8	117.6	2.2	114.6	2.1	131.7	3.2
September	130.9		117.7		113.7		132.1	
October	131.4		118.0		114.7		132.6	
November	131.9	4.3	118.4	2.6	115.0	3.0	133.1	4.0
December	132.4		118.8		115.4		133.5	
January 1991	132.9		119.2		115.7		134.0	
February	133.4	4.6	119.6	4.1	116.0	3.4	134.4	4.3
March	133.9		120.0		116.3		135.0	
April	134.4		120.3		116.6		135.4	
May	134.9	4.6	120.7	3.7	116.9	3.1	135.9	4.4
June	135.4		121.1		117.2		136.4	
Chng June(91)/June(90)		4.2		3.2		2.8		4.0
Chng June(90)/June(89)		4.8		2.7		1.4		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	133.7		113.0		127.1		145.0		120.2	
February	134.1	7.5	112.7	3.9	127.8	13.3	145.1	5.5	120.8	0.7
March	134.9		112.6		128.9		145.8		120.6	
April	135.1		112.4		129.2		146.1		121.1	
May	135.5	3.8	112.4	-1.0	129.4	4.5	146.7	3.9	121.4 *	2.9
June	135.9 *		112.7 *		129.5 *		147.3 *		121.7	
July	136.3		113.0		129.5		147.9		121.8	
August	136.5	3.3	113.2	2.7	129.7	1.0	148.3	4.5	122.0	2.1
September	136.9		113.5		129.8		148.8		122.3	
October	137.5		113.7		130.2		149.5		122.6	
November	137.9	4.0	114.0	2.6	130.6	2.9	150.1	4.8	123.0	3.2
December	138.4		114.2		131.0		150.7		123.4	
January 1991	138.9		114.4		131.5		151.3		123.8	
February	139.4	4.3	114.5	2.0	131.9	4.3	151.9	4.9	124.1	3.6
March	139.9		114.7		132.5		152.5		124.4	
April	140.4		115.0		132.9		153.1		124.8	
May	141.0	4.5	115.3	2.6	133.4	4.3	153.7	4.8	125.1	3.4
June	141.4		115.5		133.8		154.3		125.5	
Chng June(91)/June(90)		4.1		2.5		3.3		4.8		3.1
Chng June(91)/June(90)		4.5		1.6		5.0		4.7		1.8

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
January 1990	-9.32		145.3		5398		4181		-14.6
February	-6.10	49.0	143.8	0.3	5429	7.1	4193	1.9	-12.2
March	-8.36		145.2		5473		4206		-10.1
April	-6.94		145.1		5487		4208		-8.6
May	-7.30 *	28.6	146.2	3.1	5510	5.7	4212	1.8	-7.3
June	-7.62		146.3 *		5530		4215		-6.4
July	-8.04		146.5		5560		4227		-8.3
August	-7.83	-37.5	146.8	2.0	5590	5.9	4241	2.7	-9.7
September	-7.80		146.5		5617		4250		-8.6
October	-8.21		146.1		5634		4247		-10.3
November	-7.94	13.5	146.6	-0.4	5656	5.1	4249	1.1	-11.9
December	-6.68		146.7		5687		4257		-12.2
January 1991	-7.81		146.9		5714		4262		-14.3
February	-7.01	17.6	147.3	1.6	5739	5.8	4267	1.5	-12.6
March	-6.93		147.0		5767		4271		-11.9
April	-6.81		146.6		5793		4276		-12.8
May	-6.70	23.2	146.8	-1.0	5820	5.6	4280	1.2	-14.3
June	-6.85		146.7		5844		4283		-13.6
Chng June(91)/June(90)		10.1		0.3		5.7		1.6	
Chng June(90)/June(89)		10.3		1.6		5.9		1.9	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	93.00		156.7		8.26		187.96	
February	92.25	-16.0	164.9	-8.9	8.50	28.1	182.55	-13.0
March	94.11		173.4		8.56		186.26	
April	93.51		165.6		8.76		185.61	
May	92.04	-2.2	166.9	3.1	8.83	12.0	191.08	11.6
June	92.29 *		166.3		8.46 *		195.52 *	
July	92.17		169.5		8.42		200.23	
August	91.16	-5.7	170.6	11.8	8.53	-12.1	198.93	26.6
September	90.47		172.8		8.27		207.83	
October	89.98		167.8		8.33		200.36	
November	90.71	-3.2	166.5	-5.6	8.30	-3.6	199.53	-2.2
December	90.88		171.2		8.36		203.69	
January 1991	90.53		170.5		8.53		198.81	
February	91.16	2.5	169.8	3.2	8.41	7.1	200.52	-3.6
March	91.58		169.2		8.48		198.46	
April	92.27		170.3		8.43		200.94	
May	92.18	5.4	168.8	-1.9	8.36	-5.4	200.83	3.6
June	92.43		167.9		8.28		201.69	
Chng June(91)/June(90)		0.2		1.0		-2.1		3.2
Chng June(90)/June(89)		-10.5		-3.5		2.3		8.2

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	298.2		794.8		3229.3		8.23		7.55	
February	300.1	8.7	801.4	4.9	3252.4	6.2	8.24	-15.8	7.70	10.5
March	303.3		804.8		3266.2		8.28		7.85	
April	304.8		807.4		3271.5		8.26		7.84	
May	305.7	7.2	805.8	3.5	3264.2	2.3	8.18	-0.8	7.76	2.6
June	307.0 *		808.4 *		3268.9 *		8.26 *		7.65 *	
July	308.6		812.5		3282.0		8.12		7.60	
August	310.1	5.7	816.8	4.7	3299.3	3.7	7.93	-13.7	7.53	-12.1
September	311.5		820.2		3313.1		7.76		7.38	
October	313.0		823.5		3328.4		7.79		7.35	
November	314.6	5.9	827.4	5.4	3344.2	5.7	7.88	-4.8	7.42	-5.9
December	316.0		831.1		3359.1		7.85		7.40	
January 1991	317.5		834.7		3372.7		7.96		7.49	
February	319.1	5.9	838.6	5.5	3385.4	5.1	8.02	9.1	7.56	8.9
March	320.6		842.2		3400.0		8.06		7.60	
April	322.0		845.6		3413.7		8.01		7.55	
May	323.6	5.7	849.5	5.3	3425.4	4.8	8.04	2.2	7.58	3.8
June	325.0		852.8		3438.7		8.12		7.73	
Chng June(91)/June(90)		5.9		5.5		5.2		-1.7		1.0
Chng June(90)/June(89)		5.9		4.5		5.4		-13.3		-3.5

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.22	14.4	7.22	5.2	8.14	-8.5	8.22	-9.7	10.00	-16.5
March	9.37		7.29		8.28		8.35		10.00	
April	9.46		7.44		8.30		8.42		10.00	
May	9.47	9.0	7.35	8.2	8.25	1.5	8.35	5.8	10.00	-1.5
June	9.25 *		7.25 *		8.16 *		8.25 *		10.00 *	
July	9.33		7.31		8.08		8.16		10.00	
August	9.44	-1.8	7.39	-1.4	7.96	-12.8	8.09	-12.5	10.00	-4.8
September	9.28		7.26		7.84		7.95		9.63	
October	9.33		7.30		7.83		7.93		9.50	
November	9.26	-2.1	7.24	-2.3	7.95	-1.0	8.06	-1.2	9.50	-9.7
December	9.31		7.29		8.04		8.14		9.88	
January 1991	9.47		7.41		8.01		8.11		10.00	
February	9.35	4.5	7.33	5.0	8.03	4.8	8.14	4.9	10.00	16.4
March	9.39		7.36		8.06		8.17		10.00	
April	9.31		7.30		8.01		8.12		10.00	
May	9.23	-7.2	7.22	-7.7	7.97	-3.1	8.08	-2.8	10.00	0.0
June	9.15		7.14		7.93		8.05		10.00	
Chng June(91)/June(90)		-1.1		-1.5		-2.8		-2.4		0.0
Chng June(90)/June(89)		1.6		3.3		-14.4		-10.3		-9.7

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